Past Success, Future Promise:

THE HEALTH PARTNERSHIP PLAN

for

Ohio | Bureau of Workers' Compensation

A REPORT FROM

The MCO Business Council

AULTCOMP MCO — A WORKERS' COMPENSATION MANAGED CARE ORGANIZATION

CareWorks — Ohio Managed Care

compmanagement health systems — a sedgwick company

COMP 1 MANAGED CARE

CORVEL

genex — Care for Ohio — A Managed Care Organization

HMS — HEALTH MANAGEMENT SOLUTIONS, INC. — Affiliate of ProMedica

Occupational HealthLink

1-888 OHIOCOMP — Managed Care Organization

SheakleyUniComp

SPOONER MAI — Spooner Medical Administrators, Inc.

3-hab — For Job-Related Injuries

Managed Care Organizations (MCOs) are original, efficient, essential and cutting-edge partners with Ohio's workers' compensation system.

Table of Contents

Executive Summary

In 1912, the State of Ohio started an exclusive program to provide workers' compensation benefits for those injured in the workplace, an important early landmark in Ohio's efforts to protect Ohio workers and employers.

By 1993, however, problems of escalating costs, delay and waste motivated Ohio legislators and stakeholders to reform the Ohio workers' compensation system by creating the Health Partnership Plan (HPP), legislation which transformed "the silent killer of jobs" into today's key partner in protecting Ohio's workers and economy.

Under the HPP, the BWC remained a monopolistic state fund with authority to set policy benchmarks and desired outcomes. The HPP, however, applied two new foundational principles to Ohio's workers' compensation system. The BWC would now:

- contract with medical management specialists (managed care organizations or MCOs) to manage injured workers' medical claims and
- partner with MCOs to apply best in class private sector concepts to BWC operations, such as injury reporting, medical management and return to work services.

HPP's Immediate Success

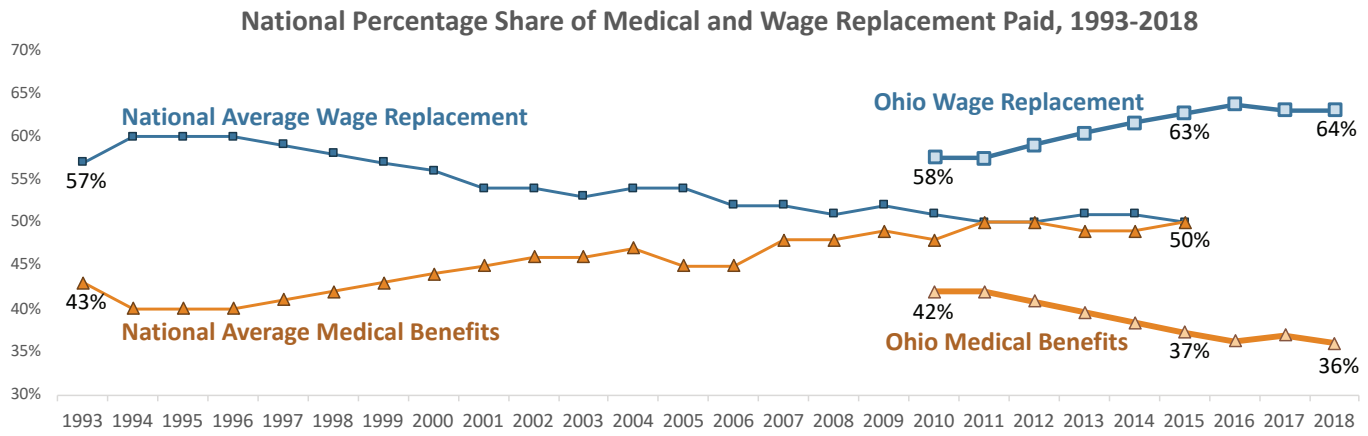
The remarkable success of the BWC-MCO partnership was evident as early as 1999.

- Time between injury and filing a claim went from 66 to 25 days, a 62 percent drop.
- The percentage of claims processed for determination within the first two weeks (key to workers' recovery) increased from 1 percent to almost 25 percent of claims.
- With faster claim processing and fewer delays, Lost Time claims were reduced from over 20 percent to 15 percent, allowing for quicker recoveries and lower costs.
- HPP saved more than $162 million over its first three years in both medical costs and indemnity costs.
  Source: Progress Report on Ohio's HPP to the Governor and the Legislature, March 2000

HPP's successes have continued to grow.

- Ohio now ranks 2nd in the nation with the lowest percent increase in medical benefits paid for 2011-2015.
  Source: NASI 2018 report
- While other states' medical costs have ballooned relative to compensation benefits to an almost 50/50 split, Ohio benefits split 36% for medical benefits to 64% for compensation benefits in FY 2018. This was the typical split across the nation prior to the escalation of medical costs in the 1990s. (SEE CHART 1)
  Source: NASI 2018 Report
- Ohio has reduced and held the percentage of Lost Time claims to 12.9% and increased the percentage of Medical Only to 87.1%. Source: BWC 2018 Year End Statistics
- More claims are remaining Medical Only as a result of early intervention, remain at work and modified and transitional duty return to work options, helping injured workers get back to work in a healthy, timely and safe manner. Source: BWC 2018 Year End Statistics
- Ohio has been an early leader fighting opioid abuse among injured workers, with MCOs completing more than 12,000 drug utilization reviews over the last 6 years.
- The overall duration of absence from work for all injuries is substantially lower in Ohio: 7 days versus the national average of 12 days. Source: BLS as reported by DXC Report December 2018

CHART 1



DXC Study Comments

The December 2018 DXC MCO Impact Study of Ohio workers' compensation recognized these contributions saying, "Quality of care was maintained or improved in all metrics monitored while total costs declined. This indicates that savings are being achieved without compromising the delivery of care to Ohio's injured workers." Source: DXC Report, Section 1, page 15; Presentation, pages 25-26)

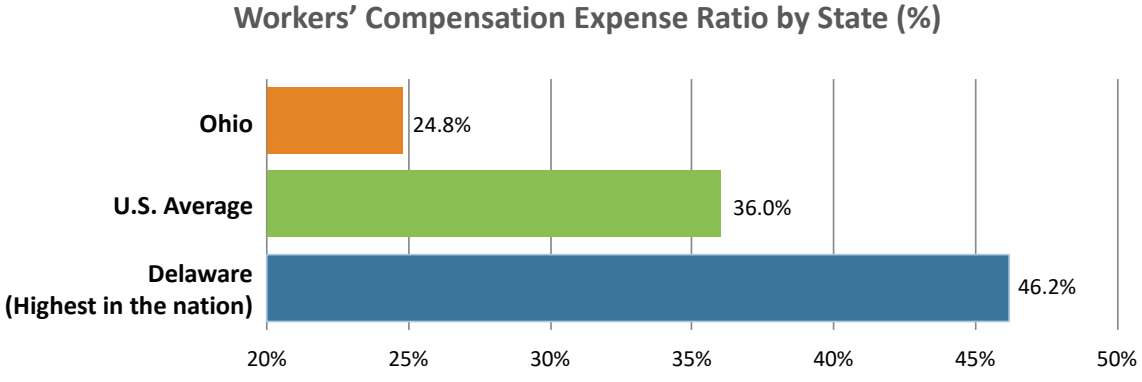
However, DXC went on to utilize Medicaid and health insurance as a comparison for MCO functions, basing the analysis on their area of expertise, resulting in several inaccurate comparisons and recommendations.

This includes DXC's analysis of MCO costs compared to Medicaid and health insurance systems and other comparisons to other states' workers' compensation systems without noting key differences, including:

- unlike Medicaid and health insurance, MCOs' primary focus is not only recovery but also return to work,
- medical management requirements and benefits vary widely across the U.S. and
- workers' compensation laws and benefits vary by state on critical cost factors such as services provided, choice of provider, temporary total compensation duration and vocational rehabilitation benefits.

The DXC administrative compensation analysis also did not include standards based on our industry for a comparison of the Expense Ratio (%) (BWC administrative expenses and MCO fees), which is substantially lower than the national average.

CHART 2



Source: 2018 NCCI Annual Statistical Bulletin Exhibit 4
BWC All MCO Report Billed Premium as of 2/3/2019 BWC FY 2018 Annual Report

See national data and definitions on page 15

Immediate Opportunities for Success

MCOs have been proud to be a member of the team to dramatically improve the system and know there are opportunities for new success, including:

- Implementing claim efficiencies for medical functions to improve outcomes,
- Partnering with BWC for Provider Network Measurement,
- Creating Partnership Process for BWC-MCO Employer Education,
- Leveraging technology for efficiencies and reducing paperwork and
- Implementing creative Innovation Projects using national best practices.

The Path Ahead Together

We look forward to working with all stakeholders to ensure that only appropriate changes will be made to a system that has been and continues to be a remarkably effective protector and helper to Ohio injured workers and employers.

MCOs extend an open invitation to the BWC Board of Directors and BWC Administrator/CEO to visit any MCO to see how we support the operations of the overall system.

Introduction: Historical Overview

As America and the world industrialized during the early 1900s, workers' compensation programs were established to improve the workplace with medical and wage replacement benefits for injured workers and defined costs for employers.

In 1912, the State of Ohio started an exclusive program to provide workers' compensation benefits. Though the program has changed names and organizational structure over the years, Ohio's Bureau of Workers' Compensation (BWC) still holds a monopoly over compensation and rehabilitation for those who suffer on the job injuries. Only three other states, Washington, North Dakota and Wyoming have monopolistic state programs.

CHAPTER 1

Managed Care Organizations Impact Ohio Workers' Compensation

Ohio's workers' compensation system, in spite of its worthy goals, often experienced a three stage cycle of events: negative press coverage highlighting problems in the system, subsequent proposed reforms and legislation to address those problems, followed by inefficiencies and delays that regularly stymied those reforms.

This negative cycle continued until the Health Partnership Plan (HPP) was created in 1993 by Governor George Voinovich, the Ohio General Assembly and a united team of stakeholders from every segment of the system who adamantly wanted to stop that cycle of failure and truly help injured workers and Ohio employers.

The unique HPP system that this team designed transformed "the silent killer of jobs" into a key partner protecting our workers and economy, by establishing two baseline fundamentals.

- Ohio workers' compensation could be better managed by contracting with medical management specialists (managed care organizations or MCOs) to manage injured workers medical claims. The MCOs would work, in partnership with the BWC, to help workers stay safe, receive high level medical care and ancillary services and return to the workplace safely, quickly and in good health
- The BWC should partner with MCOs' to apply best in class private sector concepts and practice elements to improve injury prevention services, claims processing, medical management and return to work services to both employers and employees.

As a state fund monopoly, BWC would still have authority to set policy benchmarks and expectations based on desired outcomes, but private sector medical management specialists would perform medical management duties.

The HPP also recognized that the benefits of competitive markets required checks and balances on all parties to protect a true partnership, while requiring some functional overlap and duplication of duties at the expense of maximum efficiency.

Not surprising given the breadth and depth of its reforms, the HPP program made the Ohio BWC one of the most cutting-edge insurance entities in the nation.

Immediate, Dramatic Success

By 1999, after only a few years of implementation, the results of the BWC-MCO partnership were truly remarkable.

- The time between injury and filing a claim was reduced from 66 to 25 days, a 62 percent reduction.
- The percentage of claims processed for determination (disallowed or allowed) within the first two weeks (essential for prompt and complete rehabilitation and recovery) was increased from 1 percent of claims to almost 25 percent of claims.
- With faster claim processing and fewer delays, lost time claims (an injury that results in more than 7 days of lost work) were reduced from over 20 percent to 15 percent, allowing for quicker recoveries and lower costs.
- HPP saved more than $162 million over its first 3 years in both medical costs and indemnity costs.
  Source: Progress Report on Ohio's HPP to the Governor and the Legislature, March 2000

Sustained, Continuous Improvement

Not only did the BWC-MCO partnership demonstrate dramatic initial results, key metrics have been continuously sustained and improved.

- The average number of days before successful return to work was reduced by 48 percent from 1995 to 2002.
- From 1995 to 2004, premiums were lowered an average of 32 percent; employers who paid $10,000 in premiums in 1995 paid $7,310 in 2004.
- 10-year net savings by MCOs were $443 million.
- In 2007, employer satisfaction surveys of MCO services resulted in satisfied or above ratings of 4 from all surveyed, with an average satisfaction rating of 4.28 on a 5 point scale. Sources: BWC HPP Report – 2004, Ohio HPP, Kilbourne & Company, Nov. 2007, BWC MCO Report Card, 2007

These changes have helped the injured worker and employers.

More Shared Victories

HPP improvements continue to impact Ohio's workers' compensation system.

#1: National Cost Containment Leadership

- Ohio workers' compensation system now ranks 2nd in the nation with the lowest percent increase in medical benefits paid from 2011-2015.
  - While other states' medical costs ballooned relative to wage replacement benefits to an almost 50/50 split, Ohio's proportion of medical benefits to wage replacements was only 37 percent to 63 percent in 2015. (SEE CHART 1 BELOW) Source: NASI 2018 Report
  - BWC end-of-year statistics for 2018 showed continued improvement, with Ohio now spending only 36 percent for medical benefits to 64 percent in wage replacement. (SEE CHART 3 BELOW)
    Source: BWC 2018 Annual Report
- Ohio ranked in the top 8 states for total benefits paid per $100 of covered wages from 2011-2015.
  - "Workers' compensation benefits paid per $100 of covered payroll in Ohio decreased by $0.28 per $100 of covered payroll over the five-year period, a 27.2 percent decline and the second-largest drop amount of all 50 states and the District of Columbia. The sustained decline moved Ohio from paying well above the national average in 2012, to well below the average in 2016." (SEE CHART 4 BELOW)
    Source: NASI 2018 Report

CHART 1

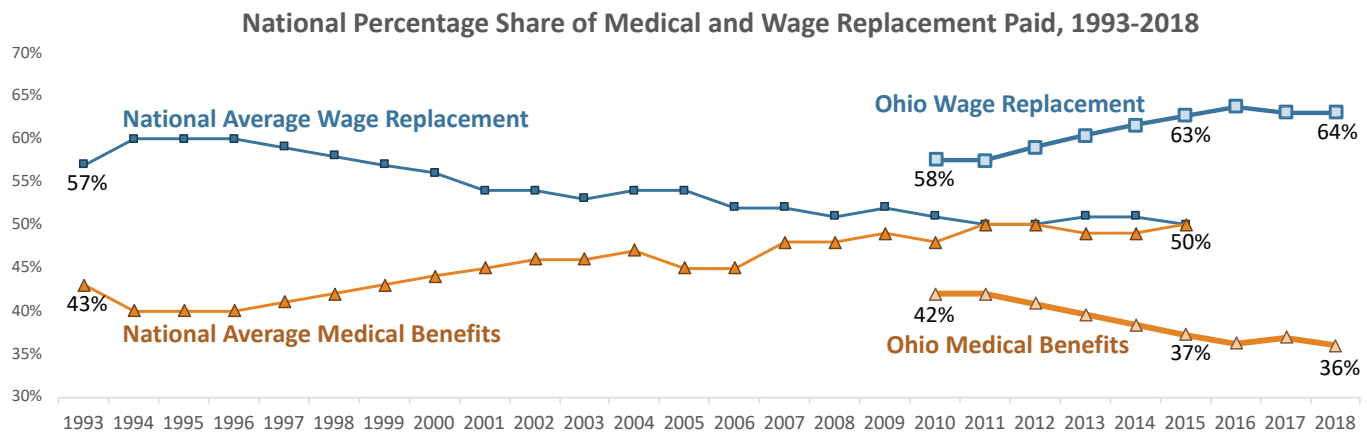


CHART 3

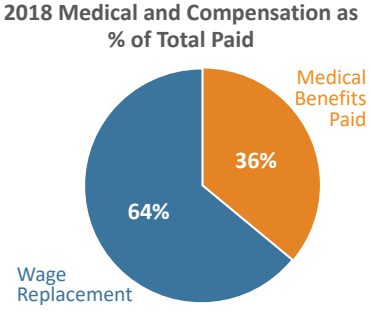
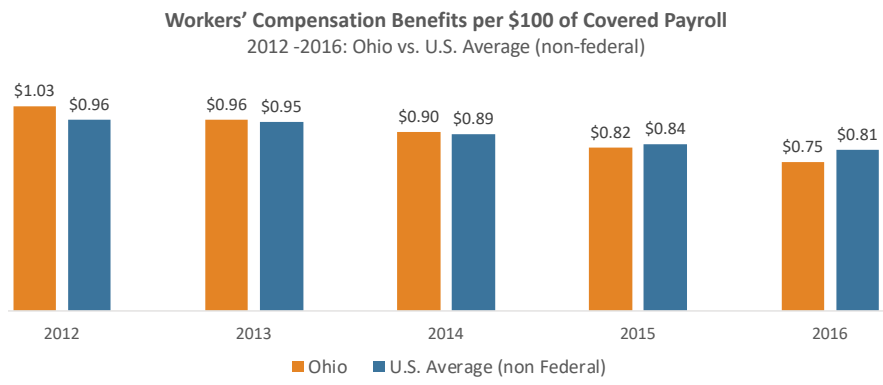
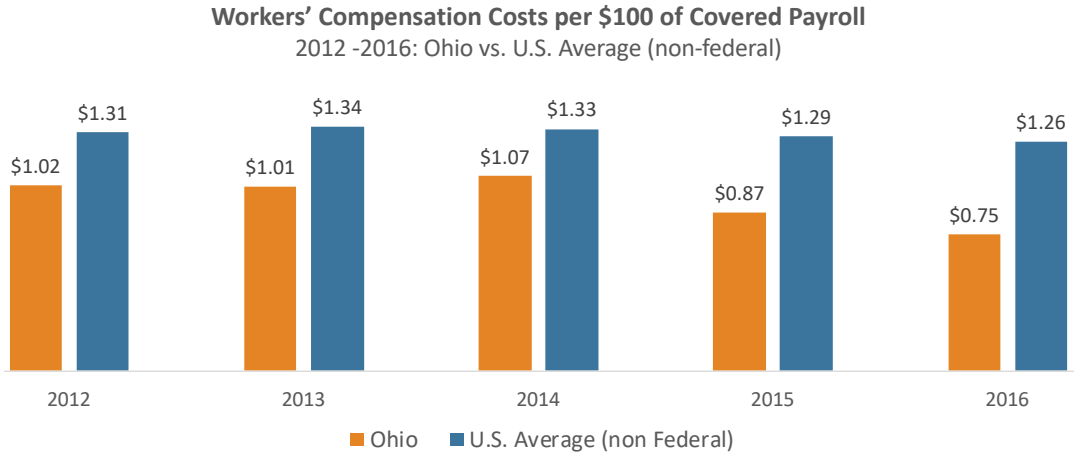


CHART 4



- Ohio ranked in the top three states for employer costs per $100 of covered wages from 2011-2015.
  - "Over this period, the decline in employer costs in Ohio as a share of payroll far outpaced the rest of the country. In Ohio, employer costs fell by $0.27 per $100 cost of payroll compared to a $0.05 decline nationally. By 2016, workers' compensation costs as a share of payroll were $0.51 lower in Ohio than the national average." (SEE CHART 5 BELOW) Source: NASI 2018 Report – Ohio

CHART 5



- As recently as 2008, Ohio ranked 47th highest in premium rates and has improved to 16th best in 2018. Ohio's premium rates are indexed at 1.4, well below the national state median index rate for employer rates of 1.7. Source: 2018 Oregon Workers' Compensation Premium Rate Ranking Study
- "Overall, employers are paying less, and their once unpredictable rates have been stabilized. Private employer average base rates are 21.4 percent lower than those in effect at the beginning of 2011, and public employers' rates are down an overall 26.5 percent over that time period." Source: Steve Buehrer, BWC Administrator/CEO, Madison Press, Dec. 29, 2015

#2: Best Practices Guidelines Are Applied to Ohio Managed Care

Ohio's MCOs have adopted best-in-class national standards to ensure injured workers receive the best quality of care and enjoy a rapid return to work:

- URAC Case Management Accreditation: for meeting national case management standards,
- Official Disability Guidelines: for evidenced-based medicine treatment protocols for injured workers,
- Peer Review and Alternative Dispute Resolution (ADR) and
- Clinical Quality Metrics: applied to standards of care and associated costs, especially in the areas of medication management, the control of low value, high cost care and the duration of absence for Medical Only claims. These metrics were applauded in the DXC report and are updated regularly.

As a result of these high standards, duration of absences from work for all injuries remain substantially lower in Ohio (7 days) than the national average (12 days).

"Most importantly, this study also concludes, quality of care was maintained or improved in all metrics monitored while total costs declined. This indicates that savings are being achieved without compromising the delivery of care to Ohio's injured workers." Source: DXC Report, Section 1, page 78; Presentation, pages 25-26)

#3: Leading Edge Practices in Ohio

Ohio's MCOs have adopted best-in-class national standards to ensure injured workers receive the best quality of care and enjoy a rapid return to work:

- The number of transitional work grants has seen a 54 percent increase from 2017-18.
- There has been a 58 percent increase in injured workers' who returned to work in a transitional setting from 2017 to 2018.
- With enhanced medical management and MCO drug utilization review services addressing 12,000 claims from 2011 to 2018, MCOs have played a direct role in reducing opioid prescriptions by 64 percent.
  Source: BWC 2017 and 2018 Annual Reports

#4: Global Recognition

With all these improvements and success, it's no wonder the BWC-MCO partnership became a world-class model for public-private cooperation in managed care for injured workers. Leaders from around the world and across the nation have visited Ohio over the years to learn about the Health Partnership Program, including visitors from Australia, Canada, Germany, Italy, Puerto Rico, South Africa and Sweden.
Source: BWC Focus Magazine, Spring 2002

CHAPTER 2

DXC Confirms Ohio is National Leader

More than twenty years after HPP's implementation, the 2018 DXC Impact Study underlined how Ohio continues to be a national leader in efficient and effective medical service management.

Exceeding Expectations

"MCOs medical management of injured worker claims indicate positive performance on cost, quality, return to work and satisfaction.

"Data collected from national and state-specific comparisons show that Ohio's workers' compensation claims have improved in terms of both process and outcome-related metrics since the inception of the HPP."
Source: DXC Impact Study Section 1; pages 4-5

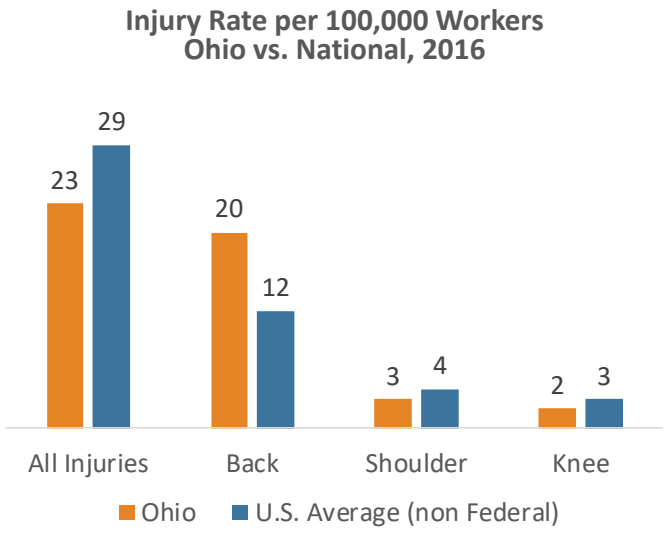
These improvements for the Ohio workers' compensation system include:

- 12 percent reduction of premiums as of July 1, 2018 for private employers which will save $163.5 million over 2017,
- 6.1 percent reduction of premiums as of September 2017 for public employers which will save $11.8 million over 2017 and Source: BWC 2018 Annual Report, US BLS
- Ohio's injury rate remains lower, just 23 workers per 100,000 compared to the national average of 29. (SEE CHART 6 BELOW) Source: DXC Impact Study Presentation, page 10

DXC also noted significant improvements between 1991 and 2017:

- Claims processing time from first report of injury (FROI) was reduced from 58 days to 16.07 days, a 72 percent reduction, with 95 percent within six days and
- Injury incidence and severity have been substantially reduced, leading to over $361 million in savings annually. Source: BWC 1991 and 2017 Annual Reports; DXC Impact Study- Section 1, page 9

CHART 6



These facts led the DXC study to conclude:

"Throughout the time period HPP has been in place, the cost of workers' compensation claims has increased nationally at a substantially faster pace than U.S. health care costs. However, our data have confirmed prior studies demonstrating that in the State of Ohio, *injured worker claim management delivers results consistently above the national average in terms of delivering high-value care to workers." (emphasis added)*

Source: DXC Impact Study Section 1 page 78

Stellar Customer Satisfaction

Not surprisingly, employer satisfaction rates are overwhelming.

- The 2018 DXC Impact Study showed that of 638 employees surveyed, more than 71 percent were satisfied with the organization that processed their medical claim.
  Source: DXC Impact Study Presentation, page 12
- The 2,815 employers who responded to the BWC's employer survey in 2018 were satisfied (4.0) to very satisfied (5.0) with MCO performance in a range of 4.26 – 4.71.
  Source: BWC 2018 MCO Report Card
- DXC Survey Data indicates that employers report a very high level of satisfaction with MCO performance and that 75% of injured workers are satisfied with MCO performance.
  Source: DXC Impact Study Section 1, page 32
- "Conclusion: Overall, employers feel that MCOs provide valuable services."
  Source: DXC Impact Study, Presentation, pages 12-14

CHAPTER 3

DXC's Errors in Comparisons

As the preceding pages have shown, it is irrefutable that MCOs have provided outstanding service to all BWC stakeholders, contributing to the BWC's ability to

- streamline processes for timely medical services and payments,
- improve treatment and care for injured workers,
- help more injured Ohioans return to work and productivity,
- reduce employer's premium rates and
- provide millions of dollars in employer refunds and rebates.

However, DXC went on to utilize Medicaid and health insurance as a comparison for MCO functions, basing the analysis on their area of expertise, resulting in several inaccurate comparisons and recommendations.

Issue #1: Workers' Compensation Is Not Medicaid

DXC's report often compared Ohio workers' compensation operations to Medicaid. These programs are similar in that they are both state-administered and use the private health care system for service delivery. Additionally, both employer and state payors are working to maximize the value of their expenditures.

There are, however, many substantial differences between the two, as outlined below.

Cost Shifting: Medicaid has a greater ability to reduce costs by shifting dollars to primary and preventive services, using incentives and disincentives across their provider networks to promote more efficient, effective care such as:

- capitation: a fixed per capita payment made to a medical provider for services to enrolled individuals,
- closed provider networks and
- episodes of care: bundles of care for episode-based care across multiple payers and providers with outcomes based on cost and quality.

The HPP agreement gives MCOs the ability to develop a list of certified providers but the MCO can't direct injured workers to use the providers who generate the best outcomes or offer the best prices. Injured workers can use any provider that is BWC-certified.

BWC-certified providers also do not share any risk based on improved patient outcomes.

Though provider accountability measures were authorized in the original HPP legislation, they were never implemented. Future cost shifting adjustments would require legislative authorization and BWC rule changes (a process MCOs would support). Provider rules and contracts could include new performance measures and accountability for an episode of care, payment for the complete bundle of service and incentives to reduce costs and improve patient-centered outcomes.

Different Attitudes Towards Participants: Workers' compensation is focused solely on expeditious treatment to help the injured worker regain their health, return to work and enjoy productive lives. Medicaid focuses on paying for provider services, with few incentives for improved outcomes.

Different Focus: As a state-run health care system for low income individuals and families, Medicaid deals with the long-term health care of its beneficiaries. Workers' compensation coverage is episodic in nature, typically triggered by a specific injury or trauma that often requires acute care and rehabilitation, among the most intensive and expensive aspects of health care.

Beneficiary Pool Differences: The workers' compensation pool of beneficiaries is limited to working employees, a population with a large percentage of aging baby boomers. In fact, the share of workers age 55 and older increased by one third between 2006 and 2017. This population is subject to many complex age-related or behavioral issues that magnify the impact of their workplace injury and often keep cases open for decades after the triggering event.

Source: NCCI Research Report, "Changing Workforce Demographics and Workplace Injury Frequency," April 2019

Payor Pool Differences: In state and federal health care as well as private insurance systems, claims management labor is distributed across a larger system of public and private sector payors thereby softening and shifting the administrative burden and cost. Workers' compensation costs are by law paid by premiums from employers.

Issue #2: Workers' Compensation Is Not Private Health Insurance

Like the DXC comparison to Medicaid, workers' compensation is different than private health insurance. The biggest difference is called "adverse selection," i.e., the only recipients of benefits are injured workers. There is no pool of healthy individuals that can share the cost.

This difference is also reflected in the wide divergence between the BWC's prescriptive rules for MCO operations, as the following comprehensive charts depict. It might also help explain why many national private insurers have dropped out of Ohio's workers' compensation system as BWC Certified MCOs over the years, including Anthem, Blue Cross/Blue Shield, Humana, Prudential and United HealthCare.

SERVICES — COMPARISON AND KEY DIFFERENCES

	HPP MCO	HEALTH INSURANCE
Coverage/ Member Differences	**Coverage for life of claim includes medical benefits and indemnity benefits with focus on RTW.** Coverage defined by injury to body part(s) and diagnosis(es) code(s).	Coverage for benefit year and coverage policy includes **medical benefits only no focus on RTW.**
First Report of Injury and Claim Data	**Complete FROI process, verify and submit data within required timeframes.**	Not Provided
Provider Network Panel	MCO Panel providers must also be BWC Certified. **IW choice of provider** and MCO cannot direct to provider.	Health insurer has **direction of care and incentives for in-network utilization.**
Utilization Review/ Utilization Management	**All medically necessary related services covered. Additional appeal/ adjudication process (IC).**	**Controlled with deductibles, coinsurance, and co-pays for risk sharing. Deductibles may vary and services may be limited or not covered in a policy period.**

SERVICES COMPARISON AND KEY DIFFERENCES

	HPP MCO	HEALTH INSURANCE
Medical and Case Management	**Medical Management on all claims for early intervention,** RTW data, RAW, RTW planning, etc. **Case Management required for claims meeting certain criteria.**	**Only high cost claims/conditions/ cases managed**
Drug Utilization Review (DUR)	**Complete DUR process** for physician reviews and BWC inputs orders. MCO **completes education and high-risk drug reviews**	**Formulary and PBM**
Out-of-State/Out-of-Country Care	All medically necessary related services will be covered. **MCOs must negotiate fees for out-of-state services**	Reduced benefits for out of network services
Peer Review	**Increased** due to medical necessity, policy and few non-covered services/items	**Decreased** due to benefit limits and non-covered services
Bill Review and Provider Payment	National Clinical Editing **with BWC unique policy items. Significant manual processes due to paper bills, payment, manual adjustments. Significant manual review for claim allowance and documentation with processing payment**	National Clinical Editing. **Significant electronic bill submission, automated adjudication, payment and adjustment. Very limited documentation review.**
Alternative Dispute Resolution/ Appeals	**Volume much higher as provider and all parties can appeal. Additional adjudication process (IC) which must be followed for outcome.**	**Reduced appeals** as patient or provider only can appeal. **Policy benefit plan and covered services also reduce appeals**.
Bill Grievance and Recovery Process	**Two (2) level process** for billing appeals. **Multi-step process for recovery** of payment.	**Provider notified** of error and recovery. **Informal review and response**
Quality Assurance and Compliance	**Multiple Compliance Requirements** including SSAE SOC 1 Compliance, URAC Case Management Accreditation, MCO Contract Compliance, BWC annual and other audits, inquiry and complaint tracking, and Fraud Reporting to BWC.	**Fewer Compliance Requirements** based on state and federal laws, may have accreditation-NCQA or URAC, Internal financial and performance reporting, and Department of Insurance Filings/ response to complaints.

SERVICES COMPARISON AND KEY DIFFERENCES

	HPP MCO	HEALTH INSURANCE
Data and Reporting Requirements	**Multiple data and reporting requirements** including: BWC MCO Administrative Performance Measures (10 measures), MoD performance (2), Exceptional Performance Measures (5), Satisfaction Surveys-IW and EOR, BWC MCO Report Card Measures, URAC CM Reporting Measures (3 measures).	Internal performance measures; and if accredited, NCQA or URAC performance measure reporting.
Vocational Rehabilitation Management	**MCO determines need or completes referral, provides oversight of services, and administers outcome payment**	Not Provided
Provider Education	**Significant responsibility for educating providers** on injury reporting, treatment reimbursement request (C-9) process,, treatment guidelines, prior authorization, dispute resolution process, provider enrollment and credentialing, return to work, remain at work, transitional work, disability management and provider billing guidelines.	**Lesser need for education** focused at network providers for prior authorization, appeals, and provider billing guidelines. Customer Service process for questions and requests for treatment or medical bills.
Employer Education	**Significant contact and education on a claim basis as well as employer basis.** MCOs have defined educational tools, on-site visits, claim staffing, and inquiry response and timelines based on needs and complexity of employer.	Health insurer **provides plan information to employer.**
Injured Worker Education	**Significant requirement for contact on all claims for data gathering and reporting. Significant communication and education policy requirements** dependent on severity and life of claim.	Access to **website and telephone inquiry line.** May have 24 hour nurse hotline.

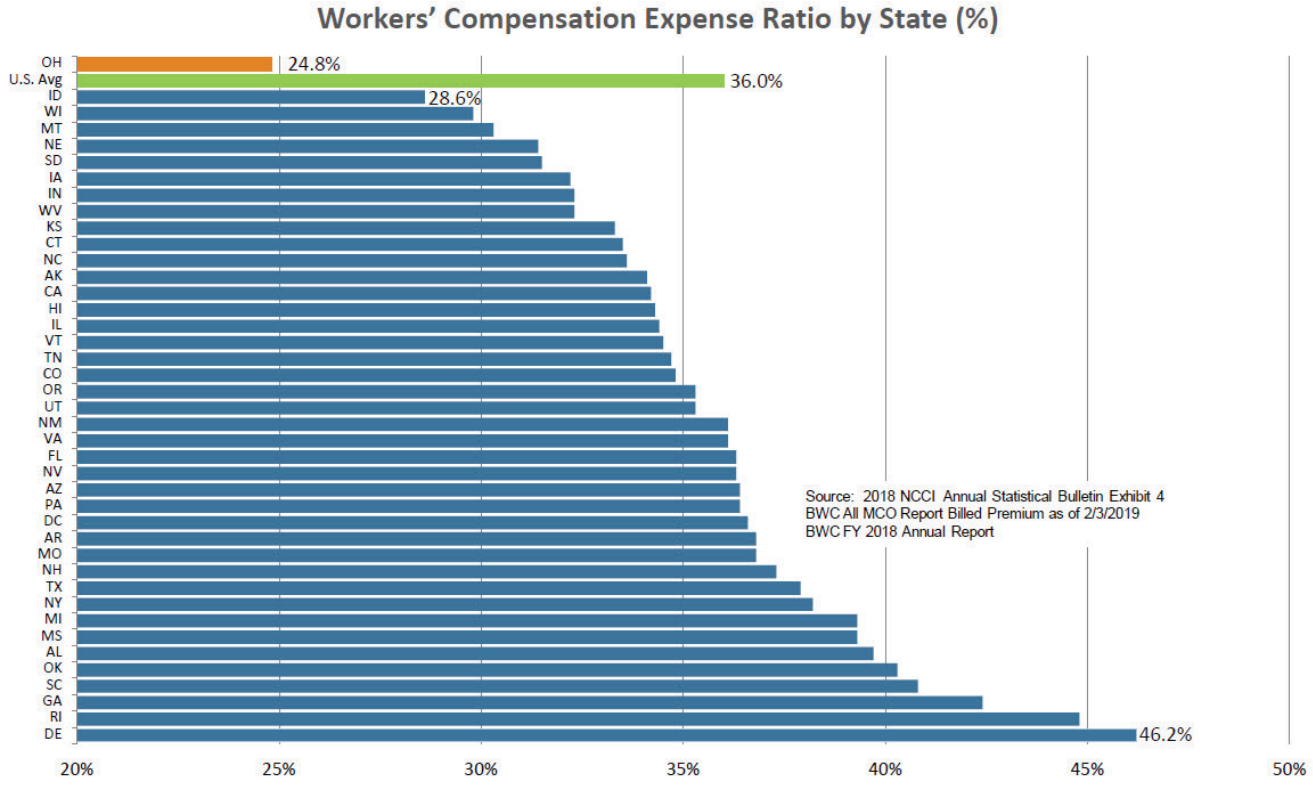
Issue #3: Administrative Cost Calculations

Expense Ratio (%) and the National Median

While the DXC study calculated MCO revenues at 27 percent, there are several questions about DXC's formula, assumptions and comparisons that led to their assessment of a fair administrative payment.

According to the National Council on Compensation Insurance (NCCI) 2018 Annual Statistical Bulletin, the national expense ratio (as a percent) was between 28.6 percent to 46.2 percent for NCCI states reporting and the countrywide average was 36 percent of earned premiums. Using this expense percentage as a comparison, Ohio's expense ratio would be 24.8 percent for BWC and MCO total administrative costs to premiums.

CHART 7



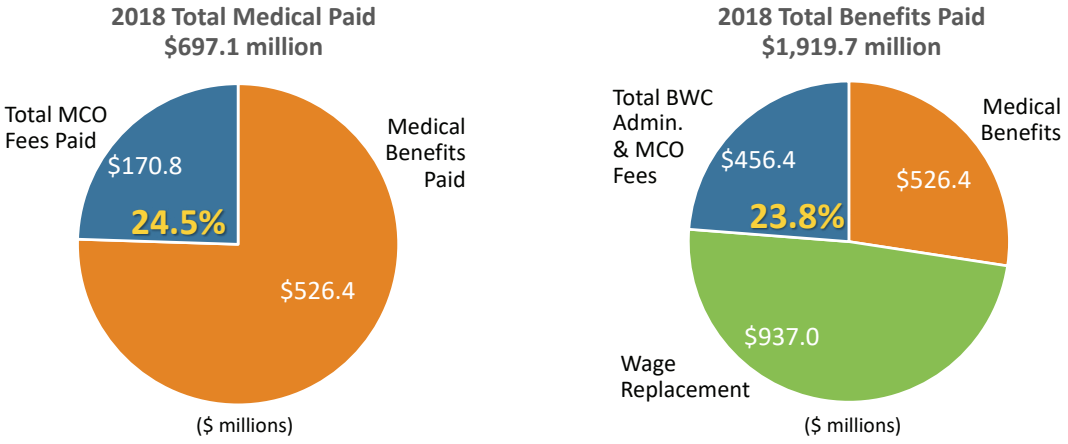
Ohio Expense Ratio (%) estimated based on FY BWC Administrative cost number (285.6 million), MCO Payment number (170.8 million) from FY 2018 BWC Annual Report and Billed Premium Statistics from BWC as of 2-3-19 (1,837.5 billion). Direct Earned Premium is the actual amount charge to the insured prior to reinsurance cessions and assumptions includes the impact of carrier rate departures, experience rating, schedule rating, retrospective rating and premium discounts. (Definition from 2018 NCCI Annual Statistical Bulleting)

For the expense ratios to premium, direct defense and cost containment expense, commission and brokerage expense, and taxes are calculated by states using data derived from Statutory Page 14 data of the NAIC's Annual Statement. Adjusting and other expense, general expense, and other acquisition expense are derived from the Insurance Expense Exhibit using private carrier countrywide data and state-specific state fund data. (Definition from 2018 NCCI Annual Statistical Bulletin)

As noted previously, Ohio's 2018 percentage of medical benefits to compensation was 36 percent for medical benefits and 64 percent for compensation benefits. Using DXC's formula on page 38 of their presentation and including the total Medical Benefits Paid for the year would result in a 24 percent administrative payment percentage for the system in 2018.

With the 5 percent administrative cuts to MCOs in the current 3-year contract (one percent in 2018 and 2019 and three percent in 2020), these percentages will be even less for MCOs. Thus, the current MCO administrative allocation appears to be in line based on the percentages of total administrative costs for management of the Ohio State Fund system before any reductions contemplated by the DXC report.

CHART 8



Issue #4: Additional Cost Issues

1. MCOs' improved performance in mitigating medical costs distorts the value of their compensation by a straight expense: profit ratio analysis. The better MCOs do their job in medical case management, the less money is needed from employer premiums, one reason behind continued employer premium reductions.

2. Further, DXC neglected to include indemnity payment costs in their payment calculation. Fifty percent of MCO potential money is tied to Measurement of Disability (MoD) which impacts the RTW rates and are linked to indemnity payments. Leaving these costs out of total expenditures pushed DXC's calculations even further in the wrong direction.

3. DXC's discussion of MCO administrative payments also excluded pharmacy costs in the calculation of MCO fees paid, even though medication management is an integral part of MCOs' claims management process, reviewing the roughly 500,000 prescriptions issued each year.

4. Furthermore, to eliminate unsafe and unnecessary medications, Ohio MCOs have processed more than 12,000 claims reviews over the last 6 years, helping save lives and dollars.
   Source: MCO Statistical Report, 2019

5. Lost Time Claim Analysis: The DXC presentation stated three times that the Proportion of BWC claims is 80 percent Medical Only and 20 percent Lost Time and also incorrectly stated that this number has remained steady for years. Source: DXC Impact Study Presentation, pages 26, 27, 29

While 20 percent of Lost Time claims may have been the percentage of Lost Time claims in the past, the percentage of Lost Time claims currently has been significantly reduced. This chart shows BWC Lost Time and Medical Only claims Year End Statistics for FY 2016 - 2018.

CHART 9

Ohio BWC Year End Statistics
State Fund Claims Filed

	FY 2018	FY 2017	FY 2016
Lost Time	10,662	10,745	10,932
Occupational Disease	280	360	407
	10,942	**11,105**	**11,339**
Medical Only	73,967	75,030	76,648
Death	227	155	183
	74,194	**75,185**	**76,831**
Net Allowed Injuries	**85,136**	**86,290**	**88,170**
Disallowed or Dismissed	12,049	11,641	10,912
Total	**97,185**	**97,931**	**99,082**

12.9%

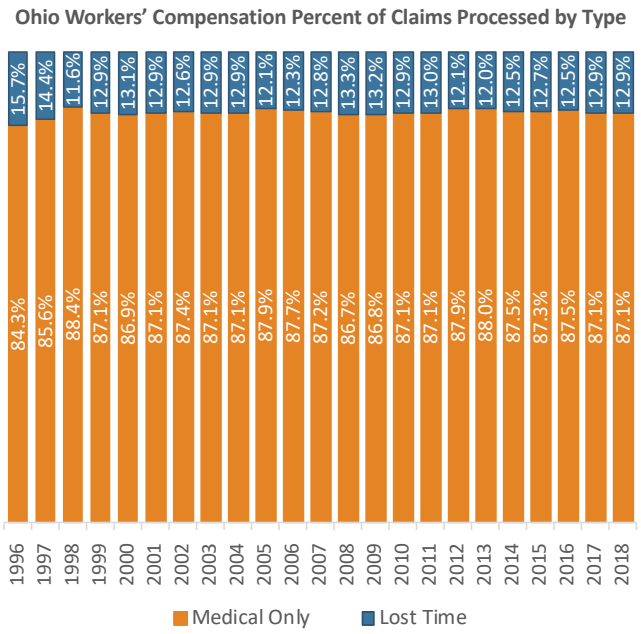
Note: Every claim is evaluated at 60 days after filling for purpose of claim type, State Fund versus Self-Insured, combine status, and allowance status. Values exclude combined and self-insured claims.

Using these figures, the percent of Lost Time claims (including Occupational Disease claims) is 12.9 percent not 20 percent, a drop made possible through the work of Ohio's MCOs to prevent claims from becoming Lost Time.

The DXC presentation also stated the duration of absence is not improving and is increasing for Lost Time claims. However, the DXC explanation was inaccurate based on their statement of a steady 20 percent of claims are Lost Time.

The reason that the duration of absence for Lost Time claims has increased is that thousands of the claims that would have been Lost Time are being managed and returned to work as Medical Only claims. Since MCOs have kept more claims Medical Only, it should be noted that the remaining pool of Lost Time claims are the more serious injuries.

CHART 10



Issue #5: Breaking Key Elements of the Partnership

DXC also recommended applying a hybrid RFP system to future contract negotiations between the BWC and MCOs, adding new elements of bidding within the negotiations. As initially proposed, this would

- goals and responsibilities of all stakeholders and putting the cooperative partnership that has generated all the improvements since 1993 at risk itself and
- require a change in the BWC provider network rules and force the provider or provider network to share the risks.

Issue #6: BWC Factors Which Increase Administrative Expenses

The Bureau and the MCOs work under a unique financial structure designed to protect the worker, maintain public trust, contain costs and provide quality care to get injured workers back to work, making accurate multi-state and national comparisons extremely difficult.

DXC's admitted limited experience in other similar exclusive state fund programs might have impaired their ability to accurately reflect the unique nature of Ohio's HPP system.

The HPP financial structure includes several factors rare in American workers' compensation.

- Ohio's monopolistic system is characterized by unique and detailed regulations, highly prescriptive policies, some duplication of effort and a complex system of checks and balances.
- Ohio has comprehensive requirements for MCOs which are often not required in other states, including:
  - utilization review,
  - case management services,
  - approved treatment guidelines,
  - dispute resolution services,
  - transition to work,
  - open timeframe for life of claim.
  - quality assurance programs,
  - medical management,
  - pharmacy review,
  - vocational rehab,
  - open network of providers / provider choice and,

Ohio has specific requirements for treatment and utilization management, making Ohio one of only

- 24 states which require prior authorization for services,
- six states with a three day requirement to respond to treatment requests,
- eight states where Medical Treatment Guideline usage is mandatory for Utilization Review and
- nine states with a required Independent Medical Review to determine disputes related to medical treatment. Source: State Policies on Treatment Guidelines and Utilization Management; A National Inventory, 2019, Workers' Compensation Research Institute

Even DXC's report documented that Ohio has all the requirements to be an approved Managed Care Organization. They noted only two other states have equal requirements: Florida and West Virginia.

CHART 11

DXC.technology

Table modified from "Workers' Compensation Research Institute Annual Report 2017."

	Requirements for Approved Managed Care Organizations										
State	Approval or Certification Required	Numbers and Location of Medical Providers	Specialties that Must be Included	Utilization Review	Case Management Services	Use of Treatment Guidelines	Internal Dispute Resolution	Quality Assurance Program	Patient Education	Office Staff Education	Provider Education
AR	Yes		x	x	x		x	x			x
CA	Yes	x	x	x	x	x	x	x			
CO	No										
CT	Yes	x		x		x	x		x		x
FL	Yes	x	x	x	x	x	x	x	x	x	x
GA	Yes	x	x	x	x		x	x	x	x	
KT	Yes	x	x	x	x	x	x		x		x
MN	Yes	x	x	x	x	x	x			x	x
MT	Yes	x	x	x	x	x	x	x	x		
NE	Yes		x	x	x	x	x	x			
NH	Yes	x	x		x	x	x	x			
NJ	Yes	x	x	x	x		x	x			
NY	Yes	x	x	x	x	x	x	x	x		x
NC	Yes	x	x	x		x	x	x	x		
ND	Yes			x		x	x				
OH	Yes	x	x	x	x	x	x	x	x	x	x
OR	Yes	x	x	x	x	x	x	x			x
PA	Yes	x	x	x	x	x	x	x	x		
RI	Yes										
SC	Yes										
SD	Yes			x	x	x	x	x			
TN	Yes			x	x	x					
TX	Yes	x	x	x	x	x	x	x	x		
UT	No	x		x	x	x	x				
WV	Yes	x	x	x	x	x	x	x	x	x	x

It is also clear that in the evaluation process for their comparisons, DXC did not factor state jurisdictional differences. This significantly impacts the treatment, care and potential disability duration for claims.

For example, DXC utilized Wyoming as a comparison state. However, it should be noted that the Wyoming employer has choice of the provider except for emergency care while Temporary Total Disability compensation does not exceed 24 months unless there are extraordinary circumstances. Additionally, vocational rehabilitation services can be paid, however the injured worker must choose either vocational rehabilitation or a PPD award but is not entitled to both. Care must be given to acknowledge these differences with treatment and duration of disability measures. Please see this document's appendix for more state comparison information.

Bottom line, there is a wide gulf separating Ohio's workers' compensation system and any other health care or workers' compensation system.

CHAPTER 4

Immediate Opportunities for New Success

There are many ways that MCOs can use their knowledge and expertise to improve Ohio workers' compensation in the future.

Continued Administrative Expertise

The public - private partnership between MCOs and BWC has helped reduce BWC staffing from a high of 4,000 employees in the 1990's to approximately 1,800 current staff.

With the impending retirement of many of BWC's most talented and senior leaders, the BWC will need the best and brightest – and the best efforts of MCOs and the entire group of stakeholders – to help with this new transition without sacrificing quality of care to the worker and quality of service to the employer.

Medical Functions - Leveraged Claim Efficiency

Additional Allowance: DXC found that of the 28 percent of injured workers who reported having trouble getting medical treatment, over 26 percent of them identified the denial of an additional allowance claim as their greatest obstacle to obtaining care. The Bureau and the Industrial Commission are solely responsible for determining the validity of any allowance, a process that takes an average of 100 days to complete this determination. Source: MCO Report on ADRs pended for Additional Allowance

This adds to significant backlogs, adding to the length of the claim, delaying treatment, potentially prolonging the disability and delaying the employee's return to work.

BWC made some improvement in this area in 2012 with a Kaizen workgroup. However, as the DXC survey results above illustrate, the additional allowance approval process remains a problem for injured workers to receive timely and appropriate care. MCOs are willing and ready to assist the Bureau in making additional strides to expedite this process.

Medical Disability Exam Scheduling: Ohio law requires independent medical exams to be conducted periodically to evaluate the recovery status of an injured worker. Currently, BWC schedules these exams and often experiences backlogs. Given this backlog, it can take several attempts by MCO medical claim specialists to contact BWC to schedule these exams successfully.

These exams provide another independent opinion for the provider and the injured worker. MCOs can provide the service of exam scheduling to assist with the backlog and provide the worker, employer, and provider with timely information on the injury, appropriateness of treatment and potential alternatives to return the employee to work safely and quickly.

Provider Network Measurement: Incentives and Disincentives

MCOs look forward to working with BWC to design and implement provider incentive and disincentive models to improve patient care, encourage safe and efficient return to work for employees and contain costs.

This initiative corresponds with the trend in managed care to share risk with the provider and more effectively negotiate costs and quality of care across the system, and it embraces the DXC recommendation to MCOs to create a trusted Provider Network.

MCOs agree that changes such as provider measurement and quality of care metrics should be explored for applicability to Ohio's workers' compensation system and hope they can work with the BWC to use this data to develop an enhanced panel of qualified providers.

Current Environment of Provider Accountability: The HPP currently allows an employee freedom of choice regarding a health care provider as long as the provider meets the Bureau's certification requirements regarding

- patient care,
- profiling data,
- peer review,
- quality assurance,
- utilization review and
- MCO / BWC rules and regulations.

The provider is then reimbursed based on the BWC fee schedule or a lower charge as submitted.

BWC has worked over time to develop the use of data in evaluating providers. A *Provider Resource Report* was developed in 2012 which illustrated peer comparison data on RTW since initial treatment, bill comparison data, top 5 diagnoses, top 5 services, RTW rate, average days absent and average medical costs. This report was distributed as an educational tool for providers but not as an incentive or disincentive for care.

This baseline data report could be further refined to implement a provider measurement system with appropriate incentives and disincentives.

State Disability Initiative Model: In 2010, the Ohio Department of Administrative Services, in partnership with four labor unions, developed a special provider network for workers' compensation claims, WILMAPC (Workplace Injury Labor Management Approved Provider Committee). This initiative contains an incentive for the employee by granting the employee salary continuation if they see a provider in this network. The goals of the program include both access to quality, experienced providers who excel in treating workplace injuries and a reduction of administrative fees and premiums paid to BWC.

Weighted measurements for this provider network include:

- absence duration,
- return to work rate,
- relapse rate and
- average medical cost of claims.

The provider panel is evaluated on a 4-point scale: exceptional, acceptable, opportunity to improve and unacceptable. There is an appeals process for providers who are dropped from the panel.

Ohio MCOs are ready and willing to continue this discussion and apply aspects of this model to Ohio's workers' compensation system.

The Enhanced Care Program (ECP): This initiative was launched for knee injuries in 2015 in Northeast Ohio. The program was developed to expedite and coordinate medical care by a team of stakeholders representing business, labor, managed care and the medical community.

In essence, the program allows providers to treat both allowed and causally related conditions of the workplace injury immediately, without concern of payment due to pending allowances. Currently the pilot has expanded but remains for knee injuries only. To participate, provider agrees to be measured

on performance in exchange for an increased reimbursement rate. While no measures have yet been developed, researchers have identified possible measures of cost, disability, process measures, patient outcomes and utilization.

MCOs understand fully that provider education is the first step in this process once providers are measured based on performance. However, more than twenty years have passed without further refinement of the BWC Certified Provider Network on these basic issues. A measurement process for the BWC Certified providers, along with the development of provider incentives and disincentives based on performance, is necessary to refine the system for better outcomes for injured workers and quality care.

This step will be a benefit to both employers and employees as well in terms of selecting providers who can demonstrate their effectiveness in providing quality care with a focus on recovery and return to work.

Sources: HPP Design Component Agreement, March 28, 1995, Provider Resource Report Sample – 2017
WILMAPC Labor / Management Presentation – Ohio DAS, Feb. 2010, BWC presentation – OSU Study Key Findings, October, 2017
DXC Report- Section 5; 2018

Leveraged Technology

Real Time Data Sharing: Currently, BWC and MCOs transfer data via an overnight batch system which extends claim processing time. The BWC/MCO Information Technology group has identified direct and real time data sharing as the next step to reducing delays in information sharing. MCOs are eager to assist with this transition to provide increased value and efficiency to system participants.

Electronic Payments: Another area of common interest in reducing paperwork and processing time is the establishment of electronic payments to providers. Large insurers, both private and public, use electronic payments. MCOs welcome this system enhancement as it will save money and time and will increase the satisfaction and engagement of providers.

Imaging Project: MCOs are engaged in a pilot project designed to facilitate the uploading of claims documents to the BWC system with a minimum of duplication and delays. Currently, the BWC and the MCOs both index provider documents to their respective internal systems for record keeping. This project involves the development of an automated process through which the MCOs index the image to their internal system and forward the image to the automated BWC system with no manual intervention.

This new process will:

- decrease the delay in documents being indexed to the claim,
- provide quicker document access to all parties,
- reduce the number of redundant and unnecessary documents and
- reduce BWC staff required for document review.

The three MCOs which were chosen as a pilot to this project have reduced duplicated pages by 53 percent and have reduced document turnaround time from approximately 21 days to approximately one day. All MCOs are expected to implement imaging by December 30, 2019.

When fully implemented, net savings for this project is estimated to be almost $1 million annually by eliminating the outsourced contract, not counting substantial internal efficiencies achieved through staff time and overtime cost reductions. Source: BWC Medical Services Committee Report to the Board, March 14, 2019

Partnered BWC-MCO Employer Education

The BWC and MCOs have a shared responsibility to educate employers.

MCOs have conducted and completed employer training through a variety of mechanisms based on employer size and educational needs. Also, large employers can meet with their MCO and BWC team representatives for personal, customized discussions to resolve outstanding issues within their workplace.

Lost Time claims continue to be an issue for cost containment and getting injured workers' back on the job. In 2004 and 2005, MCOs were required to complete visits to a targeted number of employers identified as being at risk relative to lost time claims, considering factors such as days missed from work and first report of injury (known as Book of Business Collaborations).

MCOs had proposed during 2017 contract negotiations that the BWC include Employer Collaborations as an Exceptional Performance Measure, but this suggestion was deemed unworkable.

The Bureau, based on DXC recommendations, has restarted discussions on improving BWC-MCO communications relative to Lost Time claims. This will enhance and target the education services of the MCOs and the Bureau and will get the employers the workers' compensation help they need.

MCOs are ready to work with BWC on targeted, customized education and support for employers who are challenged with claim frequency and severity resulting in higher than average lost time claims.

Focus on Innovation

In the 2016-2017 contract, BWC allocated up to $5.1 million for innovation projects designed to improve MCO services and performance. These awards are meant only to reimburse MCOs in developing, implementing and reporting on results.

Since the March, 2016 rollout of the application and review process, five MCOs have submitted innovation project proposals, including some ideas that had been already successfully implemented in other states and are now considered national best practices.

To date, no decision or award letters have been issued by BWC.

MCOs are eager to begin work on these or other innovation projects which have the potential to improve the workers' compensation system. MCOs will continue to focus on best practices nationwide and hope that the award and distribution of these innovation funds will further support and promote Ohio as a national leader in workers' compensation.


B2B SALES STRATEGY & BRAND COMMUNICATION

Conclusion:

Health Partnership Plan (HPP): Worthy of Continued Commitment

Ohio's workers and employers have been well served by the many talented and dedicated team members of Ohio's managed care organizations, key contributors in Ohio's workers' compensation comeback story.

The unique, best of both worlds partnership of MCOs and Ohio's Bureau of Workers' Compensation has been a tremendous success, helping injured workers, employers and the Ohio economy via dramatic improvements in:

- **Efficiency:** Competition with other MCOs gives employers more than one choice of their provider to keep MCOs incentivized to work constantly to improve their services;
- **Prompt and Appropriate Treatment:** Medical treatment as early as possible gives injured workers their best hope for health, recovery, return to work and help for their families and communities; and
- **Innovation:** MCOs' private sector flexibility has reduced some of the red tape that can delay innovation to improve injured Ohioans' health and return-to-work time and save employers' money. More improvements can be made here.

Through implementation of HPP, Ohio's troubled workers' compensation bureaucracy of the 1990s has been transformed into a world leader, delivering high quality services at affordable, reasonable cost, a model for workers' compensation management in the 21st century.

Elements of the DXC report that challenge this successful partnership now threaten the continued delivery of high quality results that has and will continue to help injured Ohioans, employers and Ohio's economy and communities even more.

Ohio has made much progress in the last twenty years through the HPP. However these gains should not be erased by implementing ill-advised changes that harm the HPP and threaten important future improvements.

We look forward to working with all stakeholders to ensure only appropriate changes will be made to a system that has been and continues to be a remarkably effective protector of Ohio injured workers and employers.

Ohio's MCOs stand ready to discuss the problems of this report further and continue our expert and dedicated service to the people of Ohio and extend an open invitation to the BWC Board of Directors and BWC Administrator/CEO to visit any or all MCOs to see how we support the operations of Ohio's workers' compensation system.

Addendum

Stakeholders in Original HPP Design Discussions

- AFL-CIO
- Communications Workers of America
- National Federation of Independent Business
- Ohio Bureau of Workers' Compensation
- Ohio Business Roundtable
- Ohio Chamber of Commerce
- OCSEA
- Ohio Hospital Association
- Ohio Manufacturers' Association
- Ohio Osteopathic Association
- Ohio Pharmacists Association
- Ohio Podiatric Medical Association
- Ohio Self-Insurers Association
- Ohio State Chiropractic Association
- Ohio State Medical Association
- Ohio Trial Lawyers Association (now Ohio Association for Justice)
- The Ohio Council of Retail Merchants

Appendix

State by State Comparison of Provider Choice, TT Duration and Vocational Rehabilitation Standards

STATE	CHOICE OF PROVIDER	TT DURATION	VOCATIONAL REHAB
AR	Employer Choice--Employee may petition one-time change	Maximum 450 weeks	Maximum 72 weeks
CA	Employer network or if none Employee Choice	Capped 104 weeks within 5 years from DOI with limited exceptions	*
CO	Employer list for Employee choice	Until MMI or RTW release	*
CT	Employer network or if none then Commission approved list	During disability	*
FL	Employee Choice if non-managed care, if managed care in Network	Duration of disability, limited to 260 weeks	Maximum 52 weeks
GA	Employer provides list for Employee choice	Maximum 400 weeks	*
IN	Employer Choice	Maximum 500 weeks	*
KY	In Managed Care Employee must choose within network unless continues with ER provider, If non-managed care Employee choice	Duration of disability	*
MI	Employer direct care for first 28 days, then Employee choice	Healing period non-scheduled cases only	*
MN	Employer network, or if none Employee choice	RTW or 90 days following MMI, subject to 130 week max, exclusive of retraining	Maximum 156 weeks

* No comment on Voc. Rehab.

- **Green:** DXC states noted with same Managed Care Requirements
- **Orange:** Contiguous states to Ohio (except WV which is in green)
- **Blue:** DXC states with comparison on Time Off Work for all injuries, back, shoulder, knee

MT	Employee initial treatment, after claim accepted insurer may designate or approve treating doctor	Duration of disability or released to return to work	Up to 104 weeks
NE	Employee choice	During disability	*
NH	Employee choice unless Employer has managed care program approved by Commissioner	During disability	*
NJ	Employer choice	Maximum 400 weeks	*
NC	Employer has initial choice, Employee can petition for change	Maximum 500 weeks	Per Commission rules
ND	Employer may select Designated Medical Providers	Maximum of 104 weeks or MMI whichever occurs first	Maximum 104 weeks
NV	Employer network, if none then Employee choice created by workers compensation administrator	Length of disability	Paid with many provisions
OH	Employee choice initial care, then BWC Certified provider or MCO Network with some exceptions	Until RTW, employment within restrictions made available by EOR, MMI or IC determined permanent	Paid based on eligibility/ feasibility and approved plan
OR	Employee initial choice and may change 2 times without approval	Length of disability	*
PA	May be limited to Employer designated list for initial 90 days of claim	Length of disability	*
RI	Employee choice, changing must be within approved list of physicians	Duration of disability	*
SC	Employer choice, Employee may change with Employer approval or Commission approval	Maximum 500 weeks	*

SD	Employee choice of initial selection	Duration of disability	Paid while engaged in program
TN	Employer provides list for Employee choice	Duration of disability	*
TX	Employee has initial choice from list approved by Commissioner	Maximum 140 weeks	*
UT	If Managed Care, Employee choice preferred provider in program, if none Employee has choice	312 weeks of benefits, may not continue more than 12 years post injury	*
WA	Employee choice for ER or initial visit, then within L& I Provider Network	Duration of disability but must be receiving regular curative treatment	2 years, time-loss and medical benefits can be suspended if IW fails to participate without good cause
WV	Employee has initial choice unless Employer uses approved managed care plan	Up to 104 weeks	52 weeks extendable to 104 weeks maximum $20,000 expenditure
WY	Employer choice except ER care	Not to exceed 24 months unless extraordinary circumstances	IW must choose either vocational rehab or PPD but not entitled to both. Services can be suspended or terminated if IW not cooperating or making progress to goals.

*** No comment on Voc. Rehab.**

Source: NCCI 2018 Annual Statistical Bulletin Exhibit 7 Benefit Provisions, Wyoming Workers' Safety and Compensation Division, Washington State Department of Labor and Industries, North Dakota Workforce Safety & Insurance

- **Green:** DXC states noted with same Managed Care Requirements
- **Orange:** Contiguous states to Ohio (except WV which is in green)
- **Blue:** DXC states with comparison on Time Off Work for all injuries, back, shoulder, knee

Notes

A REPORT FROM

The MCO Business Council

Managed Care Organizations (MCOs) are original, efficient, essential and cutting-edge partners with Ohio's workers' compensation system.

6.14.19